

Message Text

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21

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 PA-01

PRS-01 /104 W

----- 102101

R 040820Z JAN 76

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 3729

AMEMBASSY JIDDA

AMEMBASSY TEHRAN

AMEMBASSY KUWAIT

AMEMBASSY DOHA

AMEMBASSY LONDON

C O N F I D E N T I A L ABU DHABI 0001

TREASURY FOR PARSKY

E.O. 11652: GDS

TAGS: ENRG, TC

SUBJ: ON-SHORE GAS NEGOTIATING WITH MAJORS -- GOING NOWHERE FAST

1. HAVING BEEN INFORMED THAT CFP AND BP WERE DEFINITELY NOT INTERESTED IN PROJECT, ADG RECENTLY RECEIVED TEAM REPRESENTING REMAINDER OF IPC GROUP (SHELL, EXXON AND MOBIL) FOR FURTHER DISCUSSIONS ON JOINT VENTURE FOR ON-SHORE LPG PLANT. RUMP GROUP REPORTED THAT BANKS WERE NOT WILLING TO LEND THEM FULL AMOUNT OF THEIR 40 PERCENT SHARE OF BORROWED CAPITAL. OF COMPANIES POUNDS STERLING 200 MILLION SHARE OF INVESTMENT, BEST THEY COULD DO WAS TO PUT UP 35 PERCENT OF THIS AMOUNT IN EITHER CASH OR BORROWED IN THEIR OWN NAME. REMAINING 65 PERCENT OF THEIR SHARE WOULD HAVE TO BE LOANED OR GUARANTEED BY ABU DHABI. OTAIBA AND HIS DEPUTY ISMAIL CONSIDERED THIS STEP BACKWARD FROM PREVIOUS INDUSTRY POSITION WHICH HAD PRO-CONFIDENTIAL

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POSED THAT JOINT VENTURE BE FORMED UP FIRST, AND THEN

BANKS APPROACHED FOR FINANCING. OTAIBA SUGGESTED AS ALTERNATIVE THAT INDUSTRY PARTNERS CONSIDER PARTICIPATING ON REDUCED EQUITY BASIS, PROPOSITION WHICH COMPANIES REACTED TO ENTHUSIASTICALLY AS THEY WANT AT LEAST 40 PERCENT OF PRODUCTION. COMPANIES AGREED, HOWEVER, TO CONSIDER THIS AND TO RETURN FOR FURTHER DISCUSSIONS EARLY IN NEW YEAR.

2. MEANTIME ADNOC, DEEPLY SKEPTICAL THAT ANYTHING CAN BE WORKED OUT WITH ITS OIL PARTNERS, IS MOVING AHEAD WITH ITS ENGINEERING STUDIES TO PROCEED WITH PROJECT ON SOLE RISK BASIS.
STERNER

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04 MAY 2006

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